

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
MARCH 15, 2022**

ITEM 6

SUBJECT

CONSIDERATION OF A PROPOSED RESOLUTION TO ADOPT IMPLEMENTATION PLANS FOR ADMINISTERING THE DRINKING WATER AND WASTEWATER ALLOCATIONS FROM THE BUDGET ACT OF 2021 BY AMENDING THE STATE FISCAL YEAR (SFY) 2021-22 (FEDERAL FISCAL YEAR 2021) INTENDED USE PLAN (IUP) FOR THE DRINKING WATER STATE REVOLVING FUND (DWSRF) AND THE SFY 2021-22 (FEDERAL FISCAL YEAR 2021) IUP FOR THE CLEAN WATER STATE REVOLVING FUND (CWSRF)

DISCUSSION

The Budget Act of 2021 (Senate Bill 129 and Senate Bill 170) appropriated \$1.55 billion to the State Water Resources Control Board (State Water Board) in item 3940-106-0001. Provision 1 of item 3940-106-0001 specifies that \$650 million is for wastewater projects, with priority given to septic-to-sewer conversions, and \$650 million is for drinking water projects, with priority given to disadvantaged communities (2021 Budget Act Infrastructure Appropriation).

The State Water Board adopted [Resolution No. 2021-0030](#) on August 18, 2021 that delegates necessary authorities for the administration of up to \$200 million (\$100 million for drinking water and \$100 million for wastewater) to the Deputy Director of the Division of Financial Assistance (DFA). After accounting for administrative costs, \$517.5 million remains to be authorized for drinking water and \$517.5 million for wastewater.

DFA proposes to rely on existing funding processes outlined in the DWSRF and CWSRF IUPs as the basis for administering the 2021 Budget Act Infrastructure Appropriation funds. The DWSRF IUP and CWSRF IUP would serve as the Implementation Plan for the 2021 Budget Act Infrastructure Appropriation drinking water and wastewater funding, respectively. DFA staff have developed targeted amendments to the SFY 2021-22 IUPs, to streamline funding processes and maximize opportunities for eligible projects. The amendments will apply to multiple funding sources currently administered under the IUPs, not just the 2021 Budget Act Infrastructure Appropriation.

DFA has had multiple meetings to coordinate with the Division of Drinking Water (DDW), the Regional Water Quality Control Boards (Regional Water Boards), drinking water and wastewater system representatives, environmental justice (EJ) groups, technical assistance providers, and other stakeholders to develop proposed amendments. On January 6, 2022, the proposed amendments to the SFY 2021-22 CWSRF and DWSRF IUPs were posted online and interested parties were notified of the availability of the proposed amendments via the State Water Board's email

distribution lists. On January 20, 2022, a State Water Board Workshop was held to present the plans and allow for oral comments. Written public comments were due on February 7, 2022.

DFA staff have considered all comments and made appropriate revisions in preparing the amended IUPs for State Water Board consideration. The proposed resolution would amend the SFY 2021-22 DWSRF and CWSRF IUPs to help administer the remaining allocated budgets for the 2021 Budget Act Infrastructure Appropriation.

Senate Bill 170 also allows the State Water Board to use the 2021 Budget Act Infrastructure Appropriation as the state match share of the CWSRF and DWSRF. On November 15, 2021, the Infrastructure Investment and Jobs Act significantly increased the capitalization levels, and the associated principal forgiveness, available to the CWSRF and DWSRF over the next five years. The 2021 Budget Act Infrastructure Appropriation complements the CWSRF and DWSRF. California may need as much as \$85 million to match an estimated \$670 million in funds for federal fiscal year 2022. DFA recommends that the Deputy Director be authorized to use up to \$85 million of the 2021 Budget Act Infrastructure Appropriation to provide match for the CWSRF and DWSRF.

POLICY ISSUE

Should the State Water Board:

1. Approve the amended SFY 2021-22 DWSRF IUP;
2. Approve the amended SFY 2021-22 CWSRF IUP; and
3. Authorize the Deputy Director of DFA to use up to \$85 million of the 2021 Budget Act Infrastructure Appropriation to provide the state match for the CWSRF and DWSRF?

FISCAL IMPACT

The Budget Act of 2021 allows for the State Water Board to use up to five (5) percent of the amount appropriated for administrative costs. DFA may have to redirect staff from other funding programs to administer the funds.

REGIONAL WATER BOARD / DISTRICT OFFICE IMPACT

Eligible projects consistent with the DWSRF and CWSRF IUPs are funded on a statewide basis. These projects will require collaboration and engagement between DFA, the DDW, and the Regional Water Boards.

RELATION TO OTHER POLICIES

State Water Board action on this item will assist the State Water Board in achieving the policy set forth in section 106.3 of the Water Code. Specifically, subdivision (a) of that section declares it is the established policy of the State that “every human being has the

right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.” State Water Board action on this item will also be in support of the State Water Board’s public water system capacity development strategy and the goal of providing DWSRF funding to support Public Water Systems’ technical, managerial and financial capacity.

Additionally, State Water Board action on this item will assist the State Water Board in reaching Goals 4 and 5 of the Strategic Plan to comprehensively address water quality protection and restoration, and the relationship between water supply and water quality, and describe the connections between water quality, water quantity, and climate change, throughout California’s water planning processes; and improve transparency and accountability by ensuring that Water Board goals and actions are clear and accessible, by demonstrating and explaining results achieved with respect to the goals and resources available, by enhancing and improving accessibility of data and information, and by encouraging the creating of organizations or cooperative agreements that advance this goal, such as establishment of a statewide water data institute.

State Water Board action on this item will support State Water Board [Resolution No. 2017-0012](#), adopted on March 7, 2017, to establish a comprehensive and robust response to climate change that will support California’s ongoing climate leadership. The State Water Board found that “given the magnitude of climate change impacts on California’s hydrology and water systems, our response to climate change must be comprehensive and integrated into all Water Boards’ actions.”

Finally, State Water Board action on this item will support the Governor’s Executive Order B-40-17 of April 7, 2017, which includes provisions to maintain conservation as a way of life.

STAFF RECOMMENDATION

Staff recommends that the State Water Board adopt the proposed Resolution.